

PRELIMINARY OFFICIAL STATEMENT DATED MAY 3, 2016

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

\$5,805,000*

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10 (A Political Subdivision of the State of Texas located within Travis County, Texas) WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2016

Dated: June 1, 2016

Due: September 1, as shown below

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrant, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrant (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from June 1, 2016, and is payable on March 1, 2017 (nine-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

MATURITY SCHEDULE (Due September 1)

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>
\$ 75,000	2017	%	%	\$285,000	2028(b)	%	%
130,000	2018			300,000	2029(b)		
130,000	2019			310,000	2030(b)		
200,000	2020			320,000	2031(b)		
205,000	2021			340,000	2032(b)		
215,000	2022			355,000	2033(b)		
215,000	2023			375,000	2034(b)		
225,000	2024(b)			395,000	2035(b)		
260,000	2025(b)			410,000	2036(b)		
270,000	2026(b)			250,000	2037(b)		
275,000	2027(b)			265,000	2038(b)		

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed.
- (b) Bonds maturing on and after September 1, 2024, are subject to redemption prior to maturity at the option of the District, as a whole or in part, on September 1, 2023 or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures.

The Bonds constitute the initial series of combination unlimited tax and revenue refunding bonds issued by the District. The District has also previously issued three series of combination unlimited tax and revenue bonds for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. The proceeds of the sale of the Bonds, together with certain lawfully available funds of the District, will be applied to refund certain maturities of the District's Outstanding Bonds (defined herein). The proceeds of the sale of the Bonds will also be used to pay the costs of issuing the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "THE BONDS — Source of Payment."

The Bonds are obligations of Travis County Municipal Utility District No. 10 (the "District") and are not obligations of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Underwriters' Counsel. Delivery of the Bonds in book-entry form is expected on or about June __, 2016, at The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas.

RBC CAPITAL MARKETS

HILLTOPSECURITIES

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, the other matters described in this Official Statement until the delivery of the Bonds to the Underwriters (hereinafter defined) and thereafter only as specified herein under the caption "OFFICIAL STATEMENT - Updating of Official Statement."

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the District nor the Underwriters makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "RISK FACTORS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Underwriters

RBC Capital Markets, LLC (“RBC”) and Hilltop Securities Inc. (together referred to herein as the “Underwriter” or the “Underwriters”), have agreed to purchase the Bonds pursuant to the terms and conditions contained in a bond purchase agreement from the District for \$_____ (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$_____, less a net original issue discount on the Bonds of \$_____), plus accrued interest on the Bonds to the date of delivery. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others a price lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of Underwriters or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Municipal Bond Rating

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer Travis County Municipal Utility District No. 10 (the “District”), a political subdivision of the State of Texas, is located in Travis County, Texas. See “THE DISTRICT.”

The Issue \$5,805,000* Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2016 (the “Bonds”), are dated June 1, 2016, and mature on September 1 of each of the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds accrues from June 1, 2016, at the rates for each maturity set forth on the cover page of this Official Statement, and is payable on March 1, 2017 (nine-month interest payment), and on each September 1 and March 1 thereafter until maturity or redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the cover page of this Official Statement. The Bonds maturing on and after September 1, 2024, are subject to redemption, in whole or in part, on September 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and City of Austin Ordinance No. 880324-G.

Book-Entry-Only System The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the “System”), to the extent and upon the conditions

* Preliminary, subject to change.

described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. . See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or any entity other than the District.

Use of Proceeds

Proceeds of the sale of the Bonds, together with certain funds that are lawfully available to the District for such purpose, will be applied to refund \$1,335,000* of the principal amount of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the “Series 2004 Bonds”), \$3,120,000* of the principal amount of the District’s Waterworks and Sewer System combination Unlimited Tax and Revenue Bonds, Series 2010 (the “Series 2010 Bonds”) and \$850,000* of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) (collectively, the “Refunded Bonds”). The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments and (ii) provide present value savings in the District's debt service.

Payment Record

The District has issued the Series 2004 Bonds, Series 2010 Bonds, and Series 2011 Bonds for the purpose of acquiring and constructing the District’s System (as defined herein) to serve the District. Collective reference is made in this Official Statement to all of such debt obligations issued by the District as the “Outstanding Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, less the portions thereof previously retired by the District, and less the Refunded Bonds (collectively, the “Remaining Outstanding Bonds”) will be \$520,000*, and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$6,325,000*. See “DISTRICT DEBT - Debt Service Requirement Schedule.” The District financed its share of the cost of the acquisition or construction of components of the System as is described in this Official Statement under the caption “THE SYSTEM” with portions of the proceeds of the sale of the Outstanding Bonds. The District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt,” and “THE SYSTEM.”

* Preliminary, subject to change.

Municipal Bond Rating	The District has made no application for a municipal bond rating of the Bonds, nor it is expected that the District would have been successful in receiving an investment grade rating had such an application been made. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Rating.”
Bond Counsel	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS.”
Verification Agent	Grant Thornton LLP, Certified Public Accountants. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION.”
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations.” See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created originally as Point Venture II Municipal Utility District by Order of the Texas Water Commission (now the TCEQ) on May 17, 1989. The District contains approximately 589.771 acres of land. The District is located entirely within Travis County, Texas. A portion of the District is located within the extraterritorial jurisdiction (“ETJ”) of the City of Austin, Texas (“Austin”) and the remainder of the District is located within the ETJ of the City of Lago Vista, Texas (“Lago Vista”). Austin and Lago Vista entered into an Interlocal Cooperation Agreement dated April 15, 2004 (the “Austin - Lago Vista Agreement”), pursuant to which Austin delegated certain urban planning and subdivision development regulations for all of the property in the District to Lago Vista. Consequently, subdivision plats and the plans and specifications for all roads and District utilities are to be reviewed and approved by Lago Vista, not Austin. The Austin - Lago Vista Agreement also sets forth the framework for the eventual transference of the property currently within the ETJ of Austin to the ETJ of Lago Vista. See “THE BONDS - Annexation.” The District is located on Lake Travis, approximately 26 miles northwest of the central business district of Austin, and approximately 5 miles south of the intersection of Lohmans Ford Road and FM 1431. The entrance to the District is located on Lohmans Ford Road, approximately 5 miles south of Lago Vista. The District lies wholly within the Lago Vista Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
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Authority

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."

Development, Home Construction, and
Principal Landowners

As of May 1, 2016, the District contained a total of 80 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot plus the completed 71-unit Waterstone Condominiums on Lake Travis. Single-family homes that have been constructed in the District range from approximately 2,500 to 7,000 square feet of living area and in assessed valuation from approximately \$395,150 to \$1,792,000. The Waterstone Condominiums on Lake Travis range in size from approximately 1,700 to 1,819 square feet of living area and in sales price from approximately \$176,000 to \$391,000. There is no land development currently underway in the District. Home construction that has been undertaken in the District in recent years has consisted predominately of homes constructed by the owners of individual lots rather than a home building program undertaken by a home building company.

Approximately 132 fully developed single-family residential lots located within the District on which homes have not been constructed are owned by parties that have no obligation to the District to undertake home construction on such lots. No party is under any obligation to the District to undertake the development of any currently undeveloped portion of the District that is described below according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur, nor can the District predict the likelihood of any future home construction within the District. See "FUTURE DEVELOPMENT," TAX DATA - Principal 2015 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

According to the District's Engineer, underground water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities (the "System") and street paving have been completed to serve 212 single-family residential lots and the 71-unit Waterstone Condominiums on Lake Travis as follows: (i) approximately 49.3 acres have been developed as Waterford on Lake Travis, Section 1, consisting of 54 single-family residential lots, (ii) approximately 20.1 acres have been developed as Waterford on Lake Travis, Section 2, consisting of 28 single-family residential lots, (iii) approximately 26.3 acres have been developed as Waterford on Lake Travis, Section 3, consisting

of 30 single-family residential lots; (iv) approximately 11.7 acres have been developed as Waterford on Lake Travis, Section 3D, consisting of 10 single-family residential lots, (v) approximately 44.6 acres have been developed as Waterford on Lake Travis, Section 4A, consisting of 62 single-family residential lots plus an 80-slip marina and parking lot; (vi) approximately 28.9 acres have been developed as Waterford on Lake Travis, Section 6, consisting of 25 single-family residential lots, (vii) approximately 25.0 acres have been developed as Waterford on Lake Travis, Section 7, consisting of the 71-unit Waterstone Condominiums on Lake Travis, and (viii) approximately 1.0 acre has been developed as 3 single-family residential lots. The balance of the land located in the District consists of approximately 147.3 currently undeveloped acres which are available for future development, and approximately 235.6 acres which that are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 235.6 acres lies within the platted area of certain of the aforementioned subdivisions).

HW Waterstone, L.P. ("HW") owns and is marketing the 17 condominium units that it owns for sale to prospective purchasers. The remaining 54 of the 71 units in the project have been sold to purchasers.

In April 2016, Lewisville 9/4, Inc. ("Lewisville 9/4") an entity related to American Bank of Texas, Sherman, Texas acquired 61 fully developed single-family residential lots and approximately 91.8 currently undeveloped acres of land within the District that is available for future development (initially programmed as approximately 71 future single-family residential lots) through foreclosure. It is anticipated that Lewisville 9/4 will market such property to potential developers or investors.

Approximately 43.3 currently undeveloped acres located within the District (initially programmed as future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA").

Approximately 12.1 currently undeveloped acres located within the District are owned by Waterford LT Partners, L.P.

The District financed the cost of construction of Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I, and Lift Station No. 1 with portions of the proceeds of the sale of the Series 2004 Bonds. The District financed the cost of acquisition or construction of the components of the System that serve Waterford on Lake Travis, Sections 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, and other facilities with portions of the

proceeds of the sale of the Series 2010 Bonds. The District financed the cost of acquisition or construction of components of the System that serve Waterford on Lake Travis, Section 4A, and other facilities, with portions of the proceeds of the sale of the Series 2011 Bonds. The District anticipates financing the cost of acquisition of the components of the System that serve Waterford on Lake Travis, Sections 1 and 7, the Water Treatment Plant, Transmission Main and Intake Barge, the cluster septic system, the Wastewater Treatment Plant, Phase 2, and other facilities with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt,” and “THE SYSTEM.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2015 Assessed Valuation		\$101,963,186(a)
(As of January 1, 2015)		
See "TAX DATA" and "TAX PROCEDURES."		
2016 Preliminary Valuation		\$113,976,065(b)
(As of January 1, 2016)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt		
Remaining Outstanding Bonds (as defined herein)	\$ 520,000*	
The Bonds	<u>5,805,000*</u>	
Total		\$ 6,325,000*(c)
Estimated Overlapping Debt		<u>\$ 4,217,745(c)</u>
Total Direct and Estimated Overlapping Debt		<u>\$ 10,542,745(c)</u>
Direct Debt Ratios		
: as a percentage of 2015 Assessed Valuation		6.20%
: as a percentage of 2016 Preliminary Valuation		5.55%
Direct and Estimated Overlapping Debt Ratios		
: as a percentage of 2015 Assessed Valuation		10.34%
: as a percentage of 2016 Preliminary Valuation		9.25%
Debt Service Fund Balance Estimated as of Delivery of the Bonds		\$ 249,384(d)*
General Fund Balance at April 5, 2016		\$ 1,319,916
2015 Tax Rate per \$100 of Assessed Valuation		
Debt Service	\$0.44	
Maintenance	<u>0.34</u>	
Total		\$0.78(e)
Average Percentage of Total Tax Collections (2005-2014)		99.73%
(As of March 31, 2016).		
Percentage of Tax Collections 2015 Levy.		
As of March 31, 2016. In process of collection.		93.36%
Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2017-2038)		\$411,675
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2035)		\$446,794
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2017-2038) at 95% Tax Collections		
Based Upon 2015 Assessed Valuation		\$0.43
Based Upon 2016 Preliminary Valuation		\$0.39

* Preliminary, subject to change.

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2035) at 95% Tax Collections	
Based Upon 2015 Assessed Valuation	\$0.47
Based Upon 2016 Preliminary Valuation	\$0.42
Number of Single Family Residences (including 3 residences under construction) as of May 1, 2016	80
Number of Condominium Units as of May 1, 2016	71

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- (a) As of January 1, 2015. All property in the District is valued on the tax rolls by the Travis Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Travis County Appraisal Review Board (the "Appraisal Review Board").
 - (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2016, as reflected on the District's preliminary 2016 tax roll supplied to the District by the Appraisal District. Such 2016 Preliminary Valuation does not include \$7,074,433 valuation characterized by the Appraisal District as "(E)stimate of value loss due to protests" that is enumerated in the report of such 2016 Preliminary Valuation supplied to the District by the Appraisal District. The District's ultimate 2016 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certify the value thereof for 2016.
 - (c) See "DISTRICT DEBT" and "RISK FACTORS - Future Debt." In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Outstanding Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt," and "THE SYSTEM."
 - (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum reflects the payment by the District of the entirety of its debt service requirements that were due on March 1, 2016, on the Outstanding Bonds and the contribution by the District of \$122,000 to the refunding of the Refunded Bonds. The District's remaining debt service payments for 2016, which consist of principal of and interest on the Remaining Outstanding Bonds, total \$156,052.
 - (e) The District has levied a debt service tax of \$0.44 per \$100 of assessed valuation plus a maintenance tax of \$0.34 per \$100 of assessed valuation for 2015. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.734681. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

\$5,805,000*
TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE REFUNDING BONDS
SERIES 2016

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Travis County Municipal Utility District No. 10 (the “District”) of its Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2016 (the “Bonds”). The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, including particularly, Chapters 49 and 54, Texas Water Code, as amended, and Chapter 1207 Texas Government Code, as amended, and a resolution authorizing issuance of the Bonds (the “Bond Resolution”), adopted by the Board of Directors of the District (the “Board”). The Bonds were authorized at an election held for the purpose of authorizing the issuance of unlimited tax refunding bonds on September 14, 2002.

THE BONDS

General

The \$5,805,000* Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2016, are dated June 1, 2016, with interest payable on March 1, 2017 (nine-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”).

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

* Preliminary, subject to change.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer in accordance with the terms of the Bond Resolution. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriters (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three (3) business days after the receipt of the request in proper form to transfer, exchange or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated,

destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds maturing on and after September 1, 2024, are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds within one maturity are to be redeemed, the Registrar shall select the Bonds to be redeemed by lot or other method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

At an election held within the District on September 14, 2002, voters of the District authorized a total of \$20,300,000 in combination unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$13,200,000 for refunding purposes. The Bonds constitute the initial issuance of refunding bonds from such authorization. Following the issuance of the Bonds, a total of \$13,660,000 in principal amount of unlimited tax and revenue bonds for facilities and \$12,700,000* in bonds for refunding purposes will remain authorized but unissued. See "Issuance of Additional Debt" below. The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution.

Source of Payment

The Bonds, the Remaining Outstanding Bonds (hereinafter defined) and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the System. Net Revenues are basically defined by the Bond Order as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that is pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to make significant contributions, if any, to debt service payments. See "THE SYSTEM - Waterworks and Sewer System Operating Statement." In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds and on additional bonds payable from taxes which may be issued, and to pay Paying Agent/Registrar fees.

* Preliminary, subject to change.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Travis County, the City of Austin, the City of Lago Vista, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$20,300,000 combination unlimited tax and revenue bonds for construction of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the "System"), and could authorize additional amounts. Following the issuance of the Bonds, \$13,660,000 unlimited tax and revenue bonds will remain authorized but unissued. The District's voters also have authorized \$13,200,000 in unlimited tax and revenue bonds for refunding purposes, \$12,700,000* of which remains authorized and unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

Based on present engineering cost estimates, in the opinion of the District's consulting engineer, Jones & Carter, Inc. (the "Engineer"), the \$13,660,000 authorized but unissued bonds will be adequate to finance the extension of water supply and distribution, wastewater collection and treatment and storm drainage facilities and services to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

In addition to the water supply and distribution, wastewater collection and treatment and storm drainage facilities that the District has financed with portions of the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see - "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "RISK FACTORS - Future Debt."

Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. An election to authorize such bonds would be required. It is not anticipated at this time that the District will participate in park or road activities.

No Arbitrage

The District certifies that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder.

Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

* Preliminary, subject to change.

Annexation

A portion of the District currently lies within the extraterritorial jurisdiction (“ETJ”) of the City of Austin, Texas (“Austin”). The remainder of the District lies within the ETJ of the City of Lago Vista, Texas (“Lago Vista”). Since the District was originally created within the ETJ of Austin, the District must conform to an Austin ordinance consenting to the creation of the District.

Under existing Texas Law, when a district lies within two ETJs, the district can be dissolved by agreement of the two cities without the District’s consent, but only if both cities annex all of the portions of the district within their respective ETJs. The agreement between the cities must provide for the pro rata distribution between the cities of the property and other assets of the district and for the pro rata assumption by the cities of all debts, liabilities, and obligations (including the Bonds) of the district.

Austin and Lago Vista entered into an Interlocal Cooperation Agreement dated April 15, 2004 (the “Austin-Lago Vista Agreement”), which sets forth the framework for the transference of property within the ETJ of Austin to the ETJ of Lago Vista. The Austin-Lago Vista Agreement contemplates that such transference of ETJ would take place in phases over a period of years. The portion of the District that lies within the ETJ of Lago Vista was transferred pursuant to the Austin-Lago Vista Agreement. The further transference of ETJ from Austin to Lago Vista is a policy-making matter within the discretion of the Mayor and the City Council of Austin and the Mayor and City Council of Lago Vista. Additionally, certain detailed procedures, as set forth in the Austin-Lago Vista Agreement, must be followed to accomplish such transference of ETJ. Therefore, the District makes no representation that all of the ETJ of the District will ever be transferred from Austin to Lago Vista.

If the ETJ of the District is entirely transferred to Lago Vista, the District may be annexed by Lago Vista without the District’s consent. If the District is annexed under such circumstances, Lago Vista would assume the District’s assets and obligations (including the Bonds) and dissolve the District within ninety (90) days, except as provided below under “Strategic Partnership.”

Annexation of territory by Austin or Lago Vista is a policy-making matter within the discretion of the Mayor and City Council of Austin and the Mayor and City Council of Lago Vista, and therefore, the District makes no representation that Austin or Lago Vista will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of Austin or Lago Vista to pay debt service on the District’s bonds if annexation were to occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with a city to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by that city. The terms of any such agreement would be determined by a city and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. No strategic partnership agreement is currently contemplated between the District and either Austin or Lago Vista, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Outstanding Bonds and the Bonds). No representation is made concerning the likelihood of consolidation.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make deposits required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below. Further, certain traditional legal remedies also may not be available. See "RISK FACTORS - Registered Owners' Remedies and Bankruptcy."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a trust company or commercial bank designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

PLAN OF FINANCING*

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with certain funds that are lawfully available to the District for such purpose, will be applied to refund \$1,335,000* of the principal amount of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the “Series 2004 Bonds”), \$3,120,000* of the principal amount of the District’s Waterworks and Sewer System combination Unlimited Tax and Revenue Bonds, Series 2010 (the “Series 2010 Bonds”) and \$850,000* of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) (collectively, the “Refunded Bonds”). The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District’s debt service payments and (ii) provide present value savings in the District’s debt service.

The Refunded Bonds

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Refunded Bonds are set forth below.

<u>Maturity</u>	<u>Series 2004 Bonds Principal Amount*</u>	<u>Series 2010 Bonds Principal Amount*</u>	<u>Series 2011 Bonds Principal Amount*</u>
2017	\$70,000		
2018	75,000		
2019	80,000		
2020	85,000	\$65,000	
2021	90,000	70,000	
2022	95,000	75,000	
2023	100,000	75,000	
2024	105,000	80,000	
2025	115,000	85,000	\$25,000
2026	120,000	90,000	25,000
2027	125,000	95,000	25,000
2028	135,000	100,000	25,000
2029	140,000	110,000	25,000
2030		265,000	25,000
2031		280,000	25,000
2032		300,000	25,000
2033		320,000	25,000
2034		345,000	25,000
2035		370,000	25,000
2036		395,000	25,000
2037			265,000
2038			<u>285,000</u>
TOTALS	<u>\$1,335,000</u>	<u>\$3,120,000</u>	<u>\$850,000</u>
Redemption Date:	6/___/16	9/1/17	9/1/18

Aggregate Principal Amount of Refunded Bonds \$5,305,000

* Preliminary, subject to change.

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., an escrow agent (the “Escrow Agent”).

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”). The Bond Resolution further provides that from the proceeds of the sale of the Bonds, along with certain other legally available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.” Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and a portion of such funds will be used to purchase United States Treasury Obligations (the “Escrowed Securities”), maturing at such times and amounts as will, together with cash on deposit in the Escrow Fund, be sufficient to pay scheduled payments on the Refunded Bonds to and including their respective redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of certain proceeds of the Bonds, the Escrowed Securities, and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, and in reliance upon the Verification Report of Grant Thornton LLP, Certified Public Accountants, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

The Non-Refunded Bonds (Remaining Outstanding Bonds)*

The District has issued the Series 2004 Bonds, Series 2010 Bonds, and Series 2011 Bonds for the purpose of acquiring and constructing the District’s water supply and distribution, wastewater collection and treatment and storm drainage system and other facilities (the “System”) to serve the District. Collective reference is made in this Official Statement to all of such debt obligations issued by the District as the “Outstanding Bonds.” The District has never defaulted in the timely payment of principal or interest on the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, less the portions thereof previously retired by the District, and less the Refunded Bonds (collectively, the “Remaining Outstanding Bonds”) will be \$520,000*, and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$6,325,000*. See “DISTRICT DEBT - Debt Service Requirement Schedule.”

The principal amounts and maturity dates (or mandatory sinking fund redemption dates, if applicable) of the Remaining Outstanding Bonds as of the date of the issuance of the Bonds are as follows:

<u>Maturity</u>	<u>Series 2004 Bonds Principal Amount*</u>	<u>Series 2010 Bonds Principal Amount*</u>	<u>Series 2011 Bonds Principal Amount*</u>
2016	\$65,000	\$55,000	\$25,000
2017		55,000	25,000
2018		60,000	25,000
2019		60,000	25,000
2020			25,000
2021			25,000
2022			25,000
2023			25,000
2024			<u>25,000</u>
	<u>\$65,000</u>	<u>\$230,000</u>	<u>\$225,000</u>
Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds)			\$520,000*

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Par Amount of Bonds	
Less: Original Issue Discount	
Plus: Accrued Interest	
Plus: District Contribution	
Total Sources of Funds	

USE OF FUNDS:

Deposit with Escrow Agent	
Deposit Accrued Interest to Debt Service Fund	
Expenses:	
Underwriters Discount	
Other Issuance Expenses	
Total Uses of Funds	

* Preliminary, subject to change.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "THE BONDS - Source of Payment." Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities and generate Net Revenues from the operation of the District's System. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners, or that any Net Revenues will be generated. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction and the sale of condominium units of the types that have been constructed within the District can be significantly affected by factors such as interest rates, construction costs, consumer demand, credit availability, energy availability and costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the caption "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of May 1, 2016, the District contained 80 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family home construction or the pace of the sale of the 17 remaining unsold condominium units in the Waterstone Condominiums on Lake Travis in the District other than that which has occurred to date. Home construction that has been undertaken in the District in recent years has consisted predominantly of homes constructed by the owners of individual lots rather than a home building program undertaken by a home building company.

National Economy: Although, as is described in this Official Statement under the caption "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of May 1, 2016, the District contained 80 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family home construction or the pace of the sale of the 17 remaining unsold condominium units in the Waterstone Condominiums on Lake Travis in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing and national housing and financial markets may have on the Austin and Travis County market generally and the Lake Travis market area, which includes the District, specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on residential development activity and the construction and sales of single-family residences and condominium units, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders and condominium developers

are able to finance the construction of new homes and condominium units for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or to facilitate the sale of the remaining 17 unsold condominium units in the Waterstone Condominiums on Lake Travis. In addition, since the District is located approximately 26 miles northwest of the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and national credit and financial markets.

Single-Family Residential Lot Development, Home Construction and Condominium Sales in the District:

As is stated in this Official Statement under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS,” in April 2016, Lewisville 9/4, Inc., an entity related to American Bank of Sherman, Texas, acquired 61 fully developed single-family residential lots and approximately 91.8 currently undeveloped acres of land within the District that is available for future development (initially programmed as approximately 71 future single-family residential lots) through foreclosure. It is anticipated that Lewisville 9/4 will market such property to potential developers or investors. Approximately 43.3 currently undeveloped acres located within the District (initially programmed as future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP (“HA”). Approximately 12.1 currently undeveloped acres located within the District are owned by Waterford LT Partners, L.P. No party is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. Moreover, any property owner may sell or otherwise dispose of its property within the District, or any other assets, at any time. Home construction that has been undertaken in the District in recent years has consisted predominantly of homes constructed by the owners of individual lots rather than a home building program undertaken by a home building company. Approximately 132 fully developed single-family residential lots located within the District on which homes have not been constructed are owned by parties that have no obligation to the District to undertake home construction on such lots, and thus the District cannot predict the likelihood that a home will be constructed on any of such lots. HW is marketing the remaining 17 unsold condominium units in the Waterstone Condominiums on Lake Travis for sale to prospective purchasers. The District cannot predict the pace with which HW might be able to sell the condominium units, if at all. See “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS,” “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2015 Taxpayers.”

The housing industry in the Austin metropolitan area and on Lake Travis is very competitive, and the District can give no assurance that any future home construction will be undertaken within the District by any home builder or individual lot owner. The competitive positions of any developer or home builder or individual lot owner which might attempt future development or home building projects in the District in the sale of developed lots or in the construction or sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Moreover, the District cannot predict the likelihood of the sale of the remaining 17 unsold condominium units in the Waterstone Condominiums on Lake Travis.

Principal Taxpayer Obligation to the District: The ability of HW and American Bank (defined in this Official Statement under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS,” or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See “TAX DATA - Principal 2015 Taxpayers.” There is no commitment by or legal requirement of any party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home building company or any individual lot owner that has not yet constructed a home on a lot that such owner has purchased, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any,

or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT.” Moreover, the District cannot predict the likelihood of the future sale of the condominium units of Waterstone Condominiums on Lake Travis that are currently available for sale.

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2015 Assessed Valuation of property located within the District (see “TAX DATA”) is \$101,963,186. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds will be \$446,794 (2035) and the average annual debt service requirements will be \$411,675 (2015 through 2038, inclusive). Assuming no increase to or decrease from the 2015 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.47 and \$0.43 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Remaining Outstanding Bonds, respectively. The 2016 Preliminary Valuation of property located within the District (see “TAX DATA”) is \$113,976,065. Assuming no increase to or decrease from the 2016 Preliminary Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.42 and \$0.39 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Remaining Outstanding Bonds, respectively. The District levied a debt service tax of \$0.44 per \$100 of Assessed Valuation plus a maintenance tax of \$0.34 per \$100 of Assessed Valuation for 2015. Therefore, the 2015 debt service rate will be sufficient to pay debt service on the Bonds and the Remaining Outstanding Bonds, assuming taxable values within the District at the level of the 2016 Preliminary Valuation, assuming that the District will have a tax collection rate of 95%, no use of other legally available District funds on hand in addition to debt service tax revenues and the issuance of no bonds by the District in addition to the Bonds and the Outstanding Bonds. The District's Debt Service Fund balance is estimated to be approximately \$249,384 upon delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Outstanding Bonds as is delineated in “APPENDIX B - ANNUAL FINANCIAL REPORT” that is appended to this Official Statement. In addition, the District had, as of March 31, 2016, total annual tax collections averaging 99.73% for the years 2005 through 2014, and its 2015 levy was 93.36% collected as of such date. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2015 - \$0.44 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES.”

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.734681 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District.

Increases in the District's tax rate to substantially higher levels than the combined rate of \$0.78 per \$100 of assessed valuation which the District levied for 2015 may have an adverse impact upon future development of the District, the sale and construction of homes within the District, the construction and occupancy levels of apartments or commercial above-ground improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAX PROCEDURES."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce net operating revenue sufficient to make a substantial contribution, if any, to the District's debt service requirements. See "THE SYSTEM - Waterworks and Sewer System Operating Statement."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining \$13,660,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities and \$12,700,000* for refunding purposes (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. The issuance of such \$13,660,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Outstanding Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt" and "THE SYSTEM."

The District's Engineer estimates that the aforementioned \$13,660,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Approval of the Bonds

The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has the foregoing authority passed upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county "Austin Area" - Travis, Hays, Williamson, Bastrop, and Caldwell counties - was designated by the EPA as an attainment area with the 1997 eight-hour ozone standard in accordance with its early action compact ("EAC") with the TCEQ and EPA. EACs allow regions that are in nonattainment or near-nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EAC ended on December 31, 2007, but the EAC State Implementation Plan revision demonstrates maintenance through 2012 as part of the area's commitment. However, the Austin Area's attainment designation is pending with regard to the new 2008 eight-hour ozone standard. The EPA proposed significantly lowering the primary ozone standard and the Governor has recommended that the Austin Area be designated as non-attainment. In 2008, EPA did approve the Austin- Round Rock Eight-Hour Ozone Flex Plan which includes a number of control measures such as emissions reductions, local initiatives, transportation controls and contingency plans. These steps and any final EPA designation of non-attainment in response to the new standards could negatively impact the economy and communities in the Austin Area.

Water Supply & Discharge Issues

Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on Districts' ability to obtain TPDES permits and maintain those permits. Districts may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could

institute a civil action for injunctive relief and civil penalties. On August 8, 2007, the TCEQ adopted a TMDL for bacteria in Gilleland Creek located in northeastern Travis County. The EPA approved this TMDL on April 21, 2009, and the TMDL became part of the state's Water Quality Management Plan. In addition, TCEQ has postponed adoption of a bacteria TMDL for Peach Creek in Bastrop County as a result of 2010 revisions to the water quality standards, and it is unclear when the TMDL will be reconsidered.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the Sixth Circuit Court of Appeals put the CWR on hold nationwide until the court decides whether it has jurisdiction to consider lawsuits against the CWR. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States." The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm Sewer System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it would be required to seek independent coverage under the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"). The TCEQ renewed the MS4 Permit on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. If at any time in the future the District were required to maintain its own coverage under the MS4 Permit, it is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality (the "TCEQ"), dated May 17, 1989, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which currently lies partially within the ETJ of Austin, and partially within the ETJ of Lago Vista, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

For as long as the District lies within the ETJ of Austin, the District is required to observe certain requirements of Austin which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require municipal approval of District construction plans; and permit connections only to lots and reserves described in a plat that has been given municipal approval and filed in the real property records of Travis County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Austin and Lago Vista entered into the Austin - Lago Vista Agreement pursuant to which Austin delegated certain urban planning and subdivision development regulation to Lago Vista. Consequently, subdivision plats and the plans and specifications for roads and District utilities are to be reviewed and approved by Lago Vista, not Austin. The Lago Vista Agreement also sets forth the framework for the eventual transference of the property currently within the ETJ of Austin to the ETJ of Lago Vista. See "THE BONDS - Annexation."

Description

The District contains approximately 589.771 acres of land. The District is located entirely within Travis County, Texas, and within the ETJs of Austin and Lago Vista. See "THE BONDS - Annexation" and "THE DISTRICT - General". The District is located on Lake Travis, approximately 26 miles northwest of the central business district of Austin, and approximately 5 miles south of the intersection of Lohmans Ford Road and FM 1431. The entrance to the District is located on Lohmans Ford Road, approximately 5 miles south of the City of Lago Vista. The District lies wholly within the Lago Vista Independent School District. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Harvey Reiter	President	2018
C. Robert Woolsey	Vice President	2018
Raymond Archer	Assistant Vice President	2020
Vance Taylor	Secretary	2020
Robert Ernst	Assistant Secretary	2020

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Thomas W. Lee of Assessments of the Southwest, Inc., as the District's Tax Assessor/Collector. According to Mr. Lee, he presently serves approximately 138 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Travis Central Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of Jones & Carter, Inc., as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 329 districts as bookkeeper.

Auditor - The District's auditor for the fiscal year ended February 28, 2015, is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's Annual Financial Report for the fiscal year ended February 28, 2015, prepared by McCall Gibson Swedlund Barfoot PLLC is reproduced as "APPENDIX B" to this Official Statement.

Operator - AWR Services, Inc. Is the general operator of the District's System. According to AWR Services, Inc., it is currently employed as operator for 10 utility districts.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS

As of May 1, 2016, the District contained a total of 80 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot plus the completed 71-unit Waterstone Condominiums on Lake Travis. Single-family homes that have been constructed in the District range from approximately 2,500 to 7,000 square feet of living area and in assessed valuation from approximately \$395,150 to \$1,792,000. The Waterstone Condominiums on Lake Travis range in size from approximately 1,700 to 1,819 square feet of living area and in sales price from approximately \$176,000 to \$391,000. There is no land development currently underway in the District. Home construction that has been undertaken in the District in recent years has consisted predominately of homes constructed by the owners of individual lots rather than a home building program undertaken by a home building company.

Approximately 132 fully developed single-family residential lots located within the District on which homes have not been constructed are owned by parties that have no obligation to the District to undertake home construction on such lots. No party is under any obligation to the District to undertake the development of any currently undeveloped portion of the District that is described below according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur, nor can the District predict the likelihood of any future home construction within the District. See “FUTURE DEVELOPMENT,” TAX DATA - Principal 2015 Taxpayers,” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

According to the District's Engineer, underground water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities (the “System”) and street paving have been completed to serve 212 single-family residential lots and the 71-unit Waterstone Condominiums on Lake Travis as follows: (i) approximately 49.3 acres have been developed as Waterford on Lake Travis, Section 1, consisting of 54 single-family residential lots, (ii) approximately 20.1 acres have been developed as Waterford on Lake Travis, Section 2, consisting of 28 single-family residential lots, (iii) approximately 26.3 acres have been developed as Waterford on Lake Travis, Section 3, consisting of 30 single-family residential lots; (iv) approximately 11.7 acres have been developed as Waterford on Lake Travis, Section 3D, consisting of 10 single-family residential lots, (v) approximately 44.6 acres have been developed as Waterford on Lake Travis, Section 4A, consisting of 62 single-family residential lots plus an 80-slip marina and parking lot; (vi) approximately 28.9 acres have been developed as Waterford on Lake Travis, Section 6, consisting of 25 single-family residential lots, (vii) approximately 25.0 acres have been developed as Waterford on Lake Travis, Section 7, consisting of the 71-unit Waterstone Condominiums on Lake Travis, and (viii) approximately 1.0 acre has been developed as 3 single-family residential lots. The balance of the land located in the District consists of approximately 147.3 currently undeveloped acres which are available for future development, and approximately 235.6 acres which that are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 235.6 acres lies within the platted area of certain of the aforementioned subdivisions).

HW Waterstone, L.P. (“HW”) owns and is marketing the 17 condominium units that it owns for sale to prospective purchasers. The remaining 54 of the 71 units in the project have been sold to purchasers.

In April 2016, Lewisville 9/4, Inc. (“Lewisville 9/4”) an entity related to American Bank of Texas, Sherman, Texas acquired 61 fully developed single-family residential lots and approximately 91.8 currently undeveloped acres of land within the District that is available for future development (initially programmed as approximately 71 future single-family residential lots) through foreclosure. It is anticipated that Lewisville 9/4 will market such property to potential developers or investors.

Approximately 43.3 currently undeveloped acres located within the District (initially programmed as future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP (“HA”).

Approximately 12.1 currently undeveloped acres located within the District are owned by Waterford LT Partners, L.P.

The District financed the cost of construction of Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I, and Lift Station No. 1 with portions of the proceeds of the sale of the Series 2004 Bonds. The District financed the cost of acquisition or construction of the components of the System that serve Waterford on Lake Travis, Sections 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, and other facilities with portions of the proceeds of the sale of the Series 2010 Bonds. The District financed the cost of acquisition or construction of components of the System that serve Waterford on Lake Travis, Section 4A, and other facilities, with portions of the proceeds of the sale of the Series 2011 Bonds. The District anticipates financing the cost of acquisition of the components of the System that serve Waterford on Lake Travis, Sections 1 and 7, the Water Treatment Plant, Transmission Main and Intake Barge, the cluster septic system, the Wastewater Treatment Plant, Phase 2, and other facilities with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt,” and “THE SYSTEM.”

As of May 1, 2016, the status of development and home construction within the District was as follows:

Subdivision	Lots				Homes				Totals
	Fully	Acres	Under	Acres	Under		Completed		
	Developed		Development		Sold	Unsold	Sold	Unsold	
Waterford on Lake Travis									
Section 1	54(i)	49.3	0	0	0	0	34	0	34
Section 2	28(ii)	20.1	0	0	1	0	19	0	20
Section 3	30	26.3	0	0	2	0	11	0	13
Section 3D	10(iii)	11.7	0	0	0	0	3	0	3
Section 4A	62	44.6	0	0	0	0	4	0	4
Section 6	25	28.9	0	0	0	0	3	0	3
Additional Lots	<u>3</u>	<u>1.0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>
	212	181.9	0	0	3	0	77	0	80
Section 7 Waterstone Condo- miniums on Lake Travis	71	25.0	0	0	0	0	54	17	71

- (i) Six Section 1 lots are not currently expected to require connection to the District's System since the owners of such lots have purchased two or more adjacent lots and constructed homes on multiple lots.
- (ii) One Section 2 lot is not expected to require connection to the District's System since the owner of such lot has purchased two adjacent lots and constructed a home on the two lots.
- (iii) Two Section 3 lots are not expected to require connection to the District's System since the owner of such lot has purchased three adjacent lots and constructed a home on the three lots.

FUTURE DEVELOPMENT

As is described above under the caption "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS," the development of approximately 181.9 acres of the total of approximately 589.8 acres of land located within the District into 212 single-family residential lots plus 71 condominium units on approximately 25.0 acres located within the District is complete. The balance of the land located in the District consists of approximately 147.3 currently undeveloped acres which are available for future development, and approximately 235.6 acres that are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 235.6 acres lies within the platted area of certain of the aforementioned subdivisions). No party is under any legal obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and may sell or otherwise dispose of its property within the District or any other assets, at any time, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bonds Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District's Engineer currently estimates that the authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "RISK FACTORS - Future Debt."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken May 2016)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2016)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2016)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2016)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Remaining Outstanding Bonds, less the debt service requirements on the Refunded Bonds, plus the principal and estimated interest requirements of the Bonds.

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Less: Debt Service on Refunded Bonds *</u>	<u>Plus - The Bonds*</u>		<u>Current Total New Debt Service Requirements*</u>
			<u>Principal (Due 9-1)</u>	<u>Interest **</u>	
2016	\$438,901	\$ 135,898			\$ 303,003
2017	437,666	341,796	\$ 75,000	\$ 244,492	415,362
2018	441,136	343,576	130,000	194,094	421,654
2019	439,091	345,051	130,000	191,494	415,534
2020	441,476	411,051	200,000	188,894	419,319
2021	443,236	413,811	205,000	184,894	419,319
2022	444,349	415,986	215,000	180,794	424,156
2023	439,836	412,561	215,000	174,344	416,619
2024	439,961	413,811	225,000	167,894	419,044
2025	444,561	444,561	260,000	161,144	421,144
2026	443,374	443,374	270,000	153,344	423,344
2027	441,661	441,661	275,000	144,569	419,569
2028	444,436	444,436	285,000	135,631	420,631
2029	446,436	446,436	300,000	125,656	425,656
2030	447,466	447,466	310,000	115,156	425,156
2031	447,405	447,405	320,000	103,919	423,919
2032	451,284	451,284	340,000	91,919	431,919
2033	454,103	454,103	355,000	79,169	434,169
2034	460,861	460,861	375,000	65,856	440,856
2035	466,295	466,295	395,000	51,794	446,794
2036	470,404	470,404	410,000	36,488	446,488
2037	293,188	293,188	250,000	20,600	270,600
2038	299,606	299,606	265,000	10,600	275,600
	<u>\$9,976,732</u>	<u>\$9,244,621</u>	<u>\$5,805,000</u>	<u>\$2,822,745</u>	<u>\$9,359,855</u>

Average Annual Requirements (2017-2038)	\$411,675
Maximum Annual Requirement (2035)	\$446,794

* Preliminary, subject to change.

** Interest is estimated at rates that vary from maturity to maturity.

Bonded Indebtedness

2015 Assessed Valuation		\$101,963,186(a)
(As of January 1, 2015)		
See "TAX DATA" and "TAX PROCEDURES."		
2016 Preliminary Valuation		\$113,976,065(b)
(As of January 1, 2016)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt		
Remaining Outstanding Bonds (as defined herein)	\$ 520,000*	
The Bonds	<u>5,805,000*</u>	
Total	\$ 6,325,000*(c)	
Estimated Overlapping Debt		\$ 4,217,745(c)
Total Direct and Estimated Overlapping Debt		<u>\$ 10,542,745(c)</u>
Direct Debt Ratios		
: as a percentage of 2015 Assessed Valuation		6.20%
: as a percentage of 2016 Preliminary Valuation		5.55%
Direct and Estimated Overlapping Debt Ratios		
: as a percentage of 2015 Assessed Valuation		10.34%
: as a percentage of 2016 Preliminary Valuation		9.25%
Debt Service Fund Balance Estimated as of Delivery of the Bonds		\$ 249,384(d)*
General Fund Balance at April 5, 2016		\$ 1,319,916
2015 Tax Rate per \$100 of Assessed Valuation		
Debt Service	\$0.44	
Maintenance	<u>0.34</u>	
Total		\$0.78(e)

- (a) As of January 1, 2015. All property in the District is valued on the tax rolls by the Travis Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Travis County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2016, as reflected on the District's preliminary 2016 tax roll supplied to the District by the Appraisal District. Such 2016 Preliminary Valuation does not include \$7,074,433 valuation characterized by the Appraisal District as "(E)stimate of value loss due to protests" that is enumerated in the report of such 2016 Preliminary Valuation supplied to the District by the Appraisal District. The District's ultimate 2016 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certify the value thereof for 2016.

* Preliminary, subject to change.

- (c) See “RISK FACTORS - Future Debt.” In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Outstanding Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt,” and “THE SYSTEM.”
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum reflects the payment by the District of the entirety its debt service requirements that were due on March 1, 2016, on the Outstanding Bonds and the contribution by the District of \$122,000 to the refunding of the Refunded Bonds. The District’s remaining debt service payments for 2016, which consist of principal of and interest on the Remaining Outstanding Bonds, total \$156,052.
- (e) The District has levied a debt service tax of \$0.44 per \$100 of assessed valuation plus a maintenance tax of \$0.34 per \$100 of assessed valuation for 2015. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.734681. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District's have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Debt as of April 15, 2016</u>	<u>Percent</u>	<u>Estimated Overlapping Amount</u>
Travis County	\$769,379,987	0.0740%	\$ 569,682
Travis County Healthcare District	11,355,000	0.0740	8,403
Lago Vista Independent School District	39,694,720	9.1691	<u>3,639,659</u>
Total Estimated Overlapping Debt			\$ 4,217,745
The District (the Bonds and the Outstanding Bonds)			<u>6,325,000</u>
Total Direct & Estimated Overlapping Debt			\$10,542,745

Debt Ratios

	% of 2015 Assessed <u>Valuation</u>	% of 2016 Preliminary <u>Valuation</u>
Direct Debt	6.20%	5.55%
Direct and Estimated Overlapping Debt	10.34%	9.25%

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds and the Bonds (see "TAX PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient (with any net revenue) to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "RISK FACTORS"). The District has levied a tax for debt service for 2015 at a rate of \$0.44 per \$100 assessed valuation.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$1.00 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On August 12, 1989, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds, the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax as cited below under the heading "Tax Rate Distribution." The District has levied a maintenance tax for 2015 of \$0.34 per \$100 of assessed valuation.

Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>Current & Prior Years (b)</u>	<u>Tax Year Ending</u>
2005	\$43,935,395	\$0.8000	\$351,483	99.99%	2006
2006	51,130,344	0.7914	404,646	99.99	2007
2007	58,043,757	0.7500	435,328	99.99	2008
2008	65,174,251	0.7470	486,852	99.99	2009
2009	98,052,430	0.7470	732,462	99.99	2010
2010	96,822,464	0.7470	723,264	99.99	2011
2011	99,068,356	0.7470	740,041	99.99	2012
2012	97,716,365	0.7270	710,398	99.48	2013
2013	93,304,253	0.7270	678,322	98.88	2014
2014	98,079,140	0.7800	765,017	98.97	2015
2015	101,963,186	0.7800	795,313	93.36(c)	2016

(a) Per \$100 of Assessed Valuation.

(b) As of March 31, 2016. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 31, 2016. In process of collection.

Tax Rate Distribution

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt Service	\$0.44	\$0.33	\$0.290	\$0.310	\$0.420
Maintenance	<u>0.34</u>	<u>0.45</u>	<u>0.437</u>	<u>0.417</u>	<u>0.327</u>
Total	\$0.78	\$0.78	\$0.727	\$0.727	\$0.747

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the period 2011 through 2015.

Type of Property	2015		2014		2013	
	Assessed Value	%	Assessed Value	%	Assessed Value	%
Land	\$ 50,556,645	49.58%	\$49,138,939	50.10%	\$ 44,234,686	47.41%
Improvements	57,989,673	56.87	55,058,498	56.14	55,063,785	59.02
Personal Property	288,400	0.26	226,262	0.23	293,237	0.31
Exemptions	<u>(6,851,532)</u>	<u>(6.72)</u>	<u>(6,344,559)</u>	<u>(6.47)</u>	<u>(6,287,237)</u>	<u>(6.74)</u>
Total	\$101,963,186	100.00%	\$98,079,140	100.00%	\$93,304,253	100.00%

Type of Property	2012		2011	
	Assessed Value	%	Assessed Value	%
Land	\$48,013,926	49.14%	\$50,643,961	51.12%
Improvements	55,946,186	57.25	56,187,310	56.72
Personal Property	276,961	0.28	308,550	0.31
Exemptions	<u>(6,520,708)</u>	<u>(6.67)</u>	<u>(8,071,465)</u>	<u>(8.15)</u>
Total	\$97,716,365	100.00%	\$99,068,356	100.00%

Principal 2015 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2015. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2015.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2015 Tax Roll</u>	<u>% of 2015 Tax Roll</u>
HW Waterstone, L.P.	Condominiums	\$4,500,039	4.41%
HC Waterford Property LLC*	Lots and Acreage	2,990,881	2.93
Craig Rapp	Lot and House	2,826,600	2.77
Frank & Deborah Beard	Lot and House	1,792,228	1.76
Michael & Sandra Skobla	Lot and House	1,710,000	1.68
Robin & Vicki Rutherford	Lot and House	1,627,213	1.60
Robert Ernst	Lot and House	1,588,570	1.56
Daniel & Lauren Sullenbarger	Lot and House	1,564,920	1.53
Gregg Jacobson	Lot and House	1,491,331	1.46
Andrew & Gillian Fawthrop	Lot and House	<u>1,446,714</u>	<u>1.42</u>
		\$21,538,496	21.12%

* Acquired in April 2016 by American Bank through foreclosure. See "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS."

Exemptions

The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons in the amount of \$10,000 of appraised value, and a general residential homestead exemption of 10 (ten)% of the appraised value (but not less than \$5,000). See "TAX PROCEDURES."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2015 Assessed Valuation or the 2016 Preliminary Valuation. The calculations assume collection of 95% of taxes levied, no use of other legally available District funds, and the sale of no bonds by the District except the Bonds and the Outstanding Bonds.

Average Annual Debt Service Requirements (2017-2038)	\$411,675*
Tax Rate of \$0.43 on the 2015 Assessed Valuation (\$101,963,186) produces	\$416,520
Tax Rate of \$0.39 on the 2016 Preliminary Valuation (\$113,976,065) produces	\$422,281
Maximum Annual Debt Service Requirement (2035)	\$446,794*
Tax Rate of \$0.47 on the 2015 Assessed Valuation (\$101,963,186) produces	\$455,266
Tax Rate of \$0.42 on the 2016 Preliminary Valuation (\$113,976,065) produces	\$454,764

The District has levied a debt service tax of \$0.44 per \$100 of Assessed Valuation plus a maintenance tax of \$0.34 per \$100 of Assessed Valuation for 2015. The 2015 debt service rate will be sufficient to pay debt service on the Bonds and the Remaining Outstanding Bonds, assuming taxable values within the District at the level of the 2016 Preliminary Valuation, assuming that the District will have a tax collection rate of 95%, no use of other legally available District funds on hand in addition to debt service tax revenues and the issuance of no bonds by the District in addition to the Bonds and the Outstanding Bonds. The District's Debt Service Fund balance is estimated to be approximately \$249,384 upon delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Remaining Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Outstanding Bonds as is delineated in "APPENDIX B - ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. In addition, the District had, as of March 31, 2016, total annual tax collections averaging 99.73% for the years 2005 through 2014, and its 2015 levy was 93.36% collected as of such date. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2015 - \$0.44 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Outstanding Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt," and "THE SYSTEM."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2015 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2015 Tax Rate/\$100</u>
Lago Vista ISD	\$1.320000
Travis County	0.416900
Travis County Emergency Services District No. 1	0.100000
Travis County Healthcare District	0.117781
The District *	<u>0.780000</u>
TOTAL TAX RATE	\$2.734681

* Consisting of a debt service tax of \$0.44 per \$100 of Assessed Valuation and a maintenance tax of \$0.34 per \$100 of Assessed Valuation.

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board is also authorized to levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System (defined below) and for the payment of certain contractual obligations, if such taxes are approved by the District’s voters. See “TAX DATA - Maintenance Tax.”

Property Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Travis County, including the District. Such appraisal values will be subject to review and change by the Travis County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA - Exemptions."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing

unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Travis County may designate all or part of the District as a reinvestment zone, and the District, Travis County, and the Lago Vista Independent School District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. An appraisal roll is prepared, taxpayer protests are heard by the Appraisal Review Board, and the appraisal roll is certified by the Chief Appraiser. Then it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone-, or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total District tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service and contract tax rates plus 1.08 times the District's previous year's operation and maintenance tax rate. Thus, the District's debt service and contract tax rates cannot be changed by a rollback election.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1; and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property may incur the additional penalty, in an amount established by the District and a delinquent tax attorney, as soon as 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes.") A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrict the collection of taxpayer debts. "See "RISK FACTORS - Tax Collection Limitations."

THE SYSTEM

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Austin and/or the City of Lago Vista, and Travis County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFC") estimated at this time for the District upon the full development of its approximately 589.8 acres is approximately 332 with a total estimated population of 1,162 people (assuming that all are full-time residents). The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 212 fully developed single-family residential lots platted as Waterford on Lake Travis, Sections 1 through 3, 3D, 4A and 6, three lots that are not contained within any of such sections, plus the 71-unit Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) in the District. The District financed the cost of acquisition or construction of the components of the System that serve Waterford on Lake Travis, Sections 2, 3, 4A and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I, Lift Station No. 1, land costs for lift station facilities and water quality ponds and other facilities with the proceeds of the sale of the Outstanding Bonds. The District anticipates financing the acquisition of the components of the System that serve Waterford on Lake Travis, Section 7, the Water Treatment Plant, Transmission Main and Intake Barge, cluster septic system, Wastewater Treatment Plant, Phase 2, and other facilities with the proceeds of the sale, if any, of bonds in the future. See "THE BONDS - Issuance of Additional Debt," and "RISK FACTORS - Future Debt."

Water Supply

The source of water supply for District customers is surface water from Lake Travis pursuant to a purchase agreement with the Lower Colorado River Authority dated January 12, 2000. The District is authorized to purchase up to 55 acre-feet (17.921 million gallons) of raw water per year for municipal purposes. The surface water diverted from Lake Travis is pumped from the raw water intake barge through two 500 gallons-per-minute ("gpm") pumps to the District's water treatment plant. The District financed Water Plant Expansion, Phase I with a portion of the proceeds of the sale of the Outstanding Bonds.

The following table summarizes the District's current water supply facilities along with the capacity of each component (expressed as ESFC) based on TCEQ criteria:

<u>Facility</u>	<u>Minimum Requirement</u>	<u>Existing Capacity</u>	<u>Total Capacity ESFCs</u>
Pressure Tank	20 gal/ESFC	5,000 gal/ESFC	250
Ground Storage	200 gal/ESFC	551,000 gal/ESFC	2,755
Booster Pump	2.0 gpm/ESFC	1,600 gpm/ESFC	800
Raw Water Pump Capacity	0.6 gpm/ESFC	500 gpm/ESFC	833
Treatment Plant Capacity	0.6 gpm/ESFC	500 gpm/ESFC	833
Surface Water	360 gpd*/ESFC	49,098 gpd/ESFC	136

At this time, the District is not required to have and does not have an emergency water interconnect.

* Gallons-per-day.

According to the District's Engineer, the District's existing water supply facilities provide sufficient capacity to serve 250 ESFCs.

Wastewater Treatment Facilities

Wastewater treatment for the District is provided by the District's 60,000 gpd plant that was completed in September, 2008. The plant includes two 30,000 gpd package plants, two 150,000 gallon effluent holding tanks and a surface drip irrigation system that discharges to 600,000 SF of irrigation zones. TCEQ Permit No. 14335-001 authorizes the plant to treat interim capacity of 0.060 MG (Phase II), and a final capacity of 0.0864 MGD, with disposal via irrigation. A 60,000 gpd plant can serve 200 ESFCs at 300 gpd per ESFC.

Drainage Improvements

Storm drainage from within the District generally drains through roadside ditches which convey runoff into Lake Travis via a storm culvert and existing natural drainage patterns. A portion of the proceeds of the sale of bonds, if any, to be sold in the future, is to be used for drainage improvements specific to the subdivision. The District financed the culverts and roadside ditches in Waterford on Lake Travis, Section 4A with portions of the proceeds of the sale of the Outstanding Bonds.

The Lower Colorado River Authority ("LCRA") Highland Lakes Watershed Ordinance applies to development within the District. It requires water quality facilities for any development with impervious cover greater than 15%. The District financed the land costs and taxes for the Water Quality Ponds serving the Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) with portions of the proceeds of the sale of the Outstanding Bonds.

100-Year Flood Plain

The 100-year floodplain as it affects the District is contained within inundation easements dedicated to the Lower Colorado River Authority. The entire District outside of these easements lies above the 100-year flood plain for Lake Travis as defined by the United States Geological Survey (USGS) and the Federal Insurance Administration (FIA). The District is located in the Flood Insurance Rate Map (FIRM), Map Number 48453CO215H, Panel 215 of 730, Travis County, Texas, and Incorporated Areas, dated September 26, 2008.

Waterworks and Sewer System Operating Statement

The following statement summarizes the operating history of the District's waterworks and sewer system for the fiscal years ended September 30, 2010, through 2012, the seventeen-month period ended February 28, 2014, and the fiscal years ended February 28, 2015, and February 29, 2016. The summary has been condensed from information contained in the District's audited financial statements, to which reference is made for more complete and further information, as to the fiscal years ended September 30, 2010, through 2012, the seventeen-month period ended February 28, 2014, and the fiscal year ended February 28, 2015, and from an unaudited compilation supplied by the District's Bookkeeper with respect to the fiscal year ended February 29, 2016. The derivation of Net Revenues which follows excludes depreciation expenses. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

	Fiscal Year Ended					
	<u>2/29/2016*</u>	<u>2/28/2015</u>	<u>2/28/2014**</u>	<u>9/30/2012</u>	<u>9/30/2011</u>	<u>9/30/2010</u>
GENERAL FUND						
REVENUES:						
Property Taxes	\$293,441	\$ 457,665	\$ 768,487	\$ 334,089	\$ 388,136	\$ 391,456
Water Service	93,092	87,257	121,167	110,194	99,738	54,128
Wastewater Service	57,192	56,243	78,708	52,716	48,238	43,649
Grinder Pump Maintenance	34,161	36,070	51,695	39,299	30,260	19,410
Penalty and Interest	1,690	1,375	1,824	1,661	2,835	856
Tap Connection and Inspection Fees	8,969	7,940	14,938	26,238	9,000	29,713
Investment Revenues	3,567	4,170	4,500	2,512	3,042	2,309
Miscellaneous Revenues	<u>4,145</u>	<u>10,316</u>	<u>16,259</u>	<u>10,258</u>	<u>12,869</u>	<u>2,264</u>
TOTAL REVENUES	\$496,258	\$661,036	\$1,057,578	\$576,967	\$594,118	\$ 543,785
GENERAL FUND						
EXPENDITURES:						
Service Operations:						
Professional Fees	\$ 82,229	\$ 112,066	\$ 134,827	\$ 87,912	\$ 98,106	\$ 146,332
Contracted Services	132,322	150,978	190,997	131,999	115,949	118,166
Purchased Water	13,160	11,992	17,624	21,341	15,564	11,728
Utilities	39,515	38,551	41,945	31,407	33,876	42,683
Repairs and Maintenance	158,003	134,591	164,629	80,353	40,582	89,786
Other	83,654	67,936	114,599	61,583	75,172	76,144
Capital Outlay	<u>40,109</u>	<u>5,750</u>	<u>135,377</u>	<u>0</u>	<u>0</u>	<u>118,328</u>
TOTAL GENERAL FUND EXPENDITURES	\$ 548,991	\$ 521,864	\$799,998	\$414,595	\$379,249	\$603,167
EXCESS REVENUES (EXPENDITURES)	\$ (52,733)	\$ 139,172	\$257,580	\$162,372	\$214,869	\$(59,382)
OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ 0	\$ 36,783	\$ 84,695	\$ 0
NET CHANGE IN FUND BALANCE	\$ (52,733)	\$ 139,172	\$257,580	\$199,155	\$299,564	\$(59,382)
BEGINNING FUND BALANCE	<u>\$1,329,502</u>	<u>\$1,190,330</u>	<u>\$ 932,750</u>	<u>\$733,594</u>	<u>\$434,031</u>	<u>\$493,413</u>
ENDING FUND BALANCE	<u>\$1,276,769</u>	<u>\$1,329,502</u>	<u>\$1,190,330</u>	<u>\$932,750</u>	<u>\$733,595</u>	<u>\$434,031</u>

The District's General Fund balance was \$1,329,502 at February 28, 2015 (audited), and according to the District's Bookkeeper, as of February 29, 2016, was \$1,276,769 (unaudited) and as of April 5, 2016, was \$ 1,319,916 (unaudited).

* Unaudited.

** Seventeen-month period.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of (a) the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” except for the information under the subheading “Book-Entry-Only System,” “PLAN OF FINANCING - Escrow Agreement” and - “Defeasance of the Refunded Bonds,” “THE DISTRICT - Attorney,” “TAX PROCEDURES,” “THE SYSTEM - Contract for Surface Water Conversion Plan,” “LEGAL MATTERS - Legal Opinions,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel for the District in its new money financings.

No-Litigation Certificate

The District will furnish the Underwriters a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriters to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. The District will further rely on the report of Grant Thornton LLP, Certified Public Accountants, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given

whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated, (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION

The arithmetical computations of the adequacy of the amounts deposited with the Paying Agent for the Refunded Bonds and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, was verified by Grant Thornton LLP, Certified Public Accountants. The computations were independently verified by Grant Thornton LLP based upon assumptions and information supplied on behalf of the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data to the MSRB. The financial information and operating data which will be provided with respect to the District is found in "APPENDIX B" (the District's Annual Financial Report). Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Remaining Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein obtained from sources other than the District. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the fiscal year ended February 28, 2015, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LANDOWNERS," "FUTURE DEVELOPMENT," and "THE SYSTEM" has been provided by Jones & Carter, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Mr. Thomas W. Lee and Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's and Assessments of the Southwest, Inc.'s authority as experts in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the “end of the underwriting period.”

Official Statement “Deemed Final”

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Travis County Municipal Utility District No. 10 as of the date shown on the first page hereof.

President, Board of Directors
Travis County Municipal Utility District No. 10

ATTEST:

Secretary, Board of Directors
Travis County Municipal Utility District No. 10

APPENDIX A
LOCATION MAP

APPENDIX B

TRAVIS COUNTY MUNICIPAL UTILITY NO. 10

TRAVIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2015